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McGraw-Hill Economics

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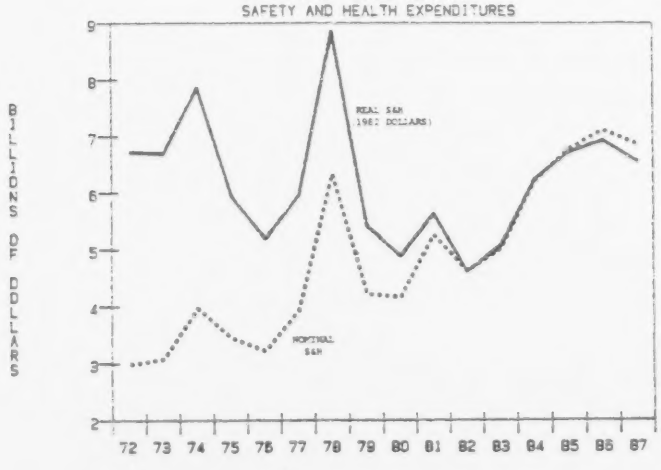
14th ANNUAL MCGRAW-HILL SURVEY OF INVESTMENT IN EMPLOYEE SAFETY AND HEALTH

The rapid pace of 1984-85 safety and health (S&H) capital spending will simmer down substantially in 1986, but stay pretty hot nevertheless. According to McGraw-Hill Economics' latest survey, U.S. business will follow up 1984's 23.6% S&H spending explosion and 1985's 9.4% S&H spending surge with a 4.9% hike in such expenditures in 1986 (Table I). In "real" terms, the continuing uptrend of S&H spending is less dramatic, but healthy nonetheless. Real S&H spending is expected to grow over 3% in 1986 following real increases of about 8% in 1985 and 23% in 1984 (Chart 1).

The fact that S&H outlays are slated to increase while overall capital spending is projected to decline 0.5% in 1986 accentuates U.S. business' growing commitment to spending on employee safety and health. From 1.7% in 1984, safety and health capital spending rose to 1.8% of total capital investment in 1985--and that percentage is expected to stick in 1986 (Table II).

CHART 1
REAL VERSUS NOMINAL
SAFETY AND HEALTH EXPENDITURES



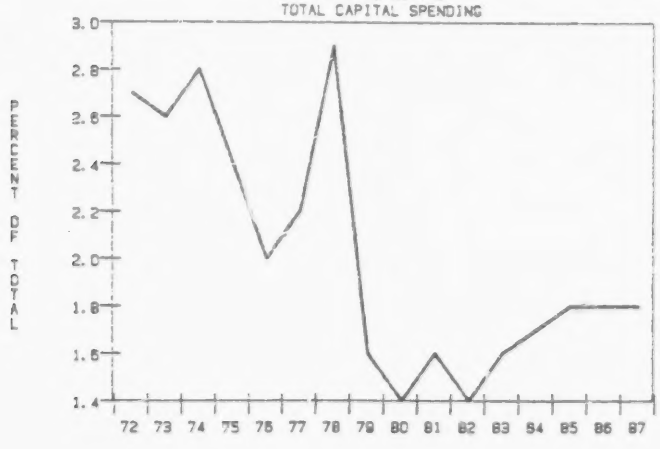
If predictions for 1987 pan out, however, this run of growth will stop dead in its tracks. U.S. business says S&H spending will contract 3.6% in 1987--a more than 5% decline after adjusting for inflation.

These are some of the key findings in the "14th Annual McGraw-Hill Survey of Investment in Employee Safety and Health". Dollar figures have been adjusted to represent all business.

Healthy Spending on Employee S&H Revisited

What makes the latest growth figures for safety and health spending look even better is that 1986 marks the fourth consecutive year that S&H spending will increase--making it the longest growth trend on record if plans materialize. In fact, S&H spending growth in the eighties as a whole has been much more vigorous than growth in the seventies (Chart 1). Consider

CHART 2
SAFETY AND HEALTH EXPENDITURES
AS A PERCENT OF
TOTAL CAPITAL SPENDING



this: From 1980 through 1985, real capital spending on employee safety and health grew at an average annual rate of nearly 7%. From 1972 through 1980,

real S&H capital spending actually declined 4% annually. But despite the newfound growth in spending, inflation-adjusted S&H outlays in 1985 were still only about even with 1972 levels. And compared to the 2.9% portion of capital spending U.S. business devoted to employee safety and health in 1972, 1985's 1.8% share looks unimpressive as well (Chart 2).

While business' plans for S&H spending in 1987 seem to squelch this string of renewed growth, note that business tends to somewhat underestimate planned expenditures further out in the future. Nevertheless, if safety and health capital spending over the next year follows the historical trend that says a few consecutive boom years will be followed by at least one bust year, then S&H spending will almost certainly ebb significantly in 1987.

Safety and Health Spending Varies Greatly By Industrial Sector

Depending on what industry you're looking at, safety and health manufacturers and suppliers have either a lot to gain in 1986--or a lot to lose. Trade and sevice firms, the biggest S&H spenders, plan to give 1986 spending the largest dollar increase--$433 million dollars. Meanwhile, petroleum firms, the second largest S&H spender in 1985, expect to slash S&H capital outlays by nearly the identical amount in 1986. (Combined, these industries accounted for one-third of all S&H expenditures in 1985.)

Other industries that said they expect healthy increases in S&H outlays for 1986 include chemicals (45.3%), automobiles (53%), aerospace (34%), mining (33%), and electric utilities (11.4%). And other industries that plan big S&H spending cuts in 1986 include airlines (-100%), iron and steel (-25.2%), textiles (-14.3%), and communications (-9.3%).

All in all, manufacturers expect to pare safety and health capital spending 1.5% in 1986 while nonmanufacturing firms slate S&H expenditures for a fat 13.3% increase.

TABLE I

PLANS FOR INVESTMENT IN EMPLOYEE SAFETY AND HEALTH
(Millions of Dollars)

INDUSTRY	1985 ACTUAL	1986 PLANNED	1985-86 % CHANGE	1987 PLANNED	1986-87 % CHANGE
Iron & Steel	43.6	32.6	-25.2	31.9	-2.1
Nonferrous Metals	22.2	24.4	9.6	26.2	7.7
Electrical Machinery	374.6	354.1	-5.5	481.4	36.0
Non-Electrical Machinery	227.1	261.2	15.0	130.6	-50.0
Autos,Trucks & Parts	39.6	60.6	53.0	39.0	-35.6
Aerospace	136.3	182.3	33.7	44.2	-75.8
Fabricated Metals	239.5	239.3	-0.1	197.6	-17.4
Instruments	145.5	147.8	1.6	147.8	0.0
Stone,Clay & Glass	37.7	43.7	15.8	41.3	-5.3
Other Durables	227.6	212.0	-6.8	227.2	7.2
TOTAL DURABLES	1,493.7	1,557.9	4.3	1,367.2	-12.2
Chemicals	633.9	921.3	45.3	857.5	-6.9
Paper & Pulp	282.2	272.0	-3.6	268.5	-1.3
Rubber & Plastic	114.1	125.8	10.2	101.6	-19.2
Petroleum	906.4	476.2	-47.5	520.5	9.3
Food & Beverage	176.1	205.0	16.4	112.4	-45.2
Textiles	66.1	56.7	-14.3	51.8	-8.6
Other Nondurables	163.0	162.4	-0.4	248.5	53.0
TOTAL NONDURABLES	2,341.8	2,219.3	-5.2	2,160.7	-2.6
ALL MANUFACTURING	3,835.5	3,777.2	-1.5	3,528.0	-6.6
Mining	239.4	317.5	32.6	468.4	47.5
Railroads	667.6	580.8	-13.0	596.7	2.7
Airlines	53.9	0.0	-100.0	0.0	NC
Other Transportation	197.7	204.5	3.4	271.7	32.9
Electric Utilities	247.9	276.2	11.4	278.1	0.7
Gas Utilities	14.9	16.3	9.6	23.9	46.6
Communications	160.7	145.8	-9.3	146.3	0.3
Trade & Services	1,358.5	1,791.8	31.9	1,543.7	-13.8
ALL NONMANUFACTURING	2,940.6	3,332.9	13.3	3,328.8	-0.1
ALL BUSINESS	6,776.1	7,110.2	4.9	6,856.8	-3.6

TABLE II

EMPLOYEE SAFETY AND HEALTH INVESTMENT
AS A PERCENT OF CAPITAL SPENDING

INDUSTRY	Actual 1985	Planned 1986	Planned 1986
Iron & Steel	1.1	0.8	0.8
Nonferrous Metals	1.2	1.2	1.2
Electrical Machinery	2.4	2.6	2.6
Non-Electrical Machinery	1.4	1.6	1.6
Autos,Trucks & Parts	0.3	0.4	0.4
Aerospace	3.9	4.1	4.1
Fabricated Metals	6.7	6.0	6.0
Instruments	3.9	3.7	3.7
Stone,Clay & Glass	1.1	1.3	1.3
Other Durables	3.2	2.8	2.8
TOTAL DURABLES	2.0	2.1	2.1
Chemicals	3.9	5.5	5.5
Paper & Pulp	3.3	3.0	3.0
Rubber & Plastic	3.0	3.2	3.2
Petroleum	3.4	2.3	2.3
Food & Beverage	1.7	2.0	2.0
Textiles	3.7	3.3	3.3
Other Nondurables	1.3	1.3	1.3
TOTAL NONDURABLES	2.9	2.9	2.9
ALL MANUFACTURING	2.5	2.5	2.5
Mining	1.5	2.3	2.3
Railroads	9.5	9.3	9.3
Airlines	1.1	0.0	0.0
Other Transportation	3.2	3.3	3.3
Electric Utilities	0.7	0.8	0.8
Gas Utilities	0.1	0.1	0.1
Communications	0.5	0.5	0.5
Trade & Services	1.1	1.5	1.5
ALL NONMANUFACTURING	1.3	1.4	1.4
ALL BUSINESS	1.8	1.8	1.8

TABLE III

HISTORICAL SAFETY & HEALTH CAPITAL EXPENDITURES

(Millions of dollars)

	1972	1973	1974	1975	1976	1977	1978	1979
Iron & Steel	132	86	69	59	28	35	44	58
Nonferrous Metals	30	51	81	113	45	23	23	40
Electrical Machinery	68	73	76	80	105	106	130	158
Non-Electrical Machinery	97	154	164	112	103	152	237	193
Autos,Trucks & Parts	144	169	369	80	40	198	158	350
Aerospace	23	32	53	42	45	40	46	81
Fabricated Metals	19	33	44	29	31	113	85	103
Instruments	15	34	92	107	29	30	48	56
Stone,Clay & Glass	33	74	81	99	63	101	98	36
Other Durables	64	78	96	130	77	114	262	284
TOTAL DURABLES	624	785	1,126	850	566	912	1,131	1,360
Chemicals	71	83	130	228	258	228	272	324
Paper & Pulp	52	62	49	64	63	42	84	63
Rubber & Plastic	14	34	135	68	33	44	40	54
Petroleum	62	166	190	227	110	213	421	137
Food & Beverage	92	101	102	118	216	172	222	138
Textiles	84	58	61	49	39	94	88	110
Other Nondurables	42	21	43	52	64	163	135	234
TOTAL NONDURABLES	418	526	711	807	782	955	1,261	1,059
ALL MANUFACTURING	1,042	1,311	1,836	1,657	1,348	1,867	2,392	2,419
Mining	101	102	220	171	137	324	146	128
Railroads	40	44	73	78	272	47	145	132
Airlines	43	32	23	23	51	17	255	62
Electric Utilities	190	136	219	169	154	209	470	261
Gas Utilities	24	32	47	30	47	87	27	20
Communication & Other	514	578	418	366	446	455	539	334
Trade & Services	1,030	842	1,132	950	759	922	2,355	864
ALL NONMANUFACTURING	1,942	1,766	2,132	1,787	1,866	2,061	3,937	1,801
ALL BUSINESS	2,984	3,077	3,968	3,443	3,214	3,928	6,329	4,220

TABLE III (CONT.)
HISTORICAL SAFETY & HEALTH CAPITAL EXPENDITURES
(Millions of dollars)

	1980	1981	1982	1983	1984
Iron & Steel	38	184	91	68	4
Nonferrous Metals	43	58	30	40	40
Electrical Machinery	166	148	187	320	219
Non-Electrical Machinery	377	96	94	648	724
Autos,Trucks & Parts	90	108	31	15	22
Aerospace	14	34	38	87	64
Fabricated Metals	40	123	52	59	52
Instruments	27	78	89	83	92
Stone,Clay & Glass	139	35	17	53	80
Other Durables	122	190	143	166	114
TOTAL DURABLES	1,056	1,104	773	1,539	1,411
Chemicals	419	655	418	492	490
Paper & Pulp	98	147	129	113	79
Rubber & Plastic	171	91	58	91	65
Petroleum	157	234	343	417	587
Food & Beverage	163	322	131	195	265
Textiles	121	111	61	96	21
Other Nondurables	135	107	391	624	53
TOTAL NONDURABLES	1,264	1,667	1,531	2,027	1,561
ALL MANUFACTURING	2,320	2,772	2,304	3,565	2,973
Mining	432	984	361	30	860
Railroads	149	119	53	63	136
Airlines	56	17	77	44	0
Electric Utilities	511	479	542	298	407
Gas Utilities	23	19	37	46	0
Communication & Other	361	452	155	604	100
Trade & Services	301	416	1,086	362	1,721
ALL NONMANUFACTURING	1,833	2,487	2,311	1,448	3,224
ALL BUSINESS	4,153	5,258	4,615	5,013	6,196

TABLE IIII
HISTORICAL SAFETY & HEALTH CAPITAL EXPENDITURES
AS PERCENT OF TOTAL CAPITAL EXPENDITURES

	1972	1973	1974	1975	1976	1977	1978	1979	1980
Iron & Steel	12.3	6.9	3.5	1.9	0.9	1.2	1.7	1.8	1.1
Nonferrous Metals	3.1	4.2	4.6	6.6	3.2	1.8	1.6	2.4	2.0
Electrical Machinery	2.4	2.1	2.0	2.6	2.9	2.3	2.2	2.1	1.7
Non-Electrical Machinery	3.0	3.9	3.2	2.3	1.9	2.4	3.2	1.9	3.3
Autos,Trucks & Parts	4.8	4.4	8.6	2.4	1.1	3.4	2.2	4.2	1.0
Aerospace	3.3	4.0	4.4	3.5	4.4	3.5	2.6	3.0	0.4
Fabricated Metals	1.3	1.8	2.3	1.5	1.4	4.6	2.9	3.2	1.2
Instruments	1.7	3.0	7.7	10.1	2.6	2.2	3.0	3.2	1.2
Stone,Clay & Glass	2.5	4.7	4.9	5.9	3.3	4.4	3.1	0.9	3.5
Other Durables	2.3	2.2	2.5	3.8	1.9	2.5	4.8	4.8	1.9
TOTAL DURABLES	3.4	3.5	4.2	3.4	2.1	2.8	2.9	2.8	1.9
Chemicals	2.1	2.0	2.1	3.2	3.5	3.1	3.5	3.3	3.6
Paper & Pulp	3.6	3.1	1.7	2.2	2.1	1.2	2.2	1.2	1.5
Rubber & Plastic	1.4	2.2	8.4	5.7	2.4	2.5	1.7	2.2	8.4
Petroleum	1.3	3.6	2.7	2.5	1.1	1.8	3.2	0.9	0.8
Food & Beverage	2.8	2.7	2.4	2.7	4.0	3.0	3.4	1.9	2.0
Textiles	7.9	5.7	5.8	5.7	4.0	8.0	6.7	7.7	7.9
Other Nondurables	1.9	0.8	1.6	1.9	2.2	4.8	3.2	3.9	1.8
TOTAL NONDURABLES	2.4	2.7	2.8	2.9	2.5	2.8	3.2	2.2	2.2
ALL MANUFACTURING	2.9	3.1	3.5	3.1	2.3	2.8	3.0	2.5	2.1
Mining	3.5	3.1	4.8	2.8	1.8	3.3	1.3	1.0	2.7
Railroads	1.7	1.5	2.0	2.0	6.4	1.0	2.8	2.0	2.1
Airlines	2.2	1.7	1.3	1.5	4.5	0.8	8.2	1.5	1.3
Electric Utilities	1.4	0.9	1.3	1.0	0.8	0.9	1.8	0.9	1.7
Gas Utilities	0.9	1.1	1.5	0.9	1.3	1.9	0.5	0.3	0.3
Communication & Other	3.4	3.5	2.3	2.1	2.3	2.1	2.2	1.2	1.2
Trade & Services	3.5	2.4	2.9	2.4	1.7	1.8	3.7	1.2	0.4
ALL NONMANUFACTURING	2.9	2.3	2.4	2.0	1.9	1.8	2.8	1.1	1.1
ALL BUSINESS	2.9	2.6	2.8	2.4	2.0	2.1	2.9	1.7	1.5

TABLE IIII (CONT.)
HISTORICAL SAFETY & HEALTH CAPITAL EXPENDITURES
AS PERCENT OF TOTAL CAPITAL EXPENDITURES

	1981	1982	1983	1984
Iron & Steel	5.3	2.4	2.1	0.1
Nonferrous Metals	2.3	1.6	2.3	1.9
Electrical Machinery	1.4	1.7	2.8	1.5
Non-Electrical Machinery	0.7	0.7	4.8	4.7
Autos,Trucks & Parts	1.1	0.4	0.2	0.2
Aerospace	1.0	1.1	3.0	1.8
Fabricated Metals	3.4	1.7	2.1	1.5
Instruments	3.4	3.8	3.3	2.8
Stone,Clay & Glass	2.5	0.6	1.9	2.6
Other Durables	2.7	2.5	3.4	1.9
TOTAL DURABLES	1.8	1.4	2.9	2.1
Chemicals	5.0	3.3	3.8	3.2
Paper & Pulp	2.4	2.3	1.9	1.1
Rubber & Plastic	4.2	2.7	3.7	2.1
Petroleum	0.9	1.3	1.8	2.3
Food & Beverage	3.4	1.5	2.5	3.0
Textiles	6.7	4.2	6.2	1.1
Other Nondurables	1.3	4.7	6.7	0.5
TOTAL NONDURABLES	2.5	2.3	3.2	2.2
ALL MANUFACTURING	2.2	1.9	3.1	2.1
Mining	4.6	1.8	0.2	5.1
Railroads	1.9	1.0	1.3	2.0
Airlines	0.4	1.7	1.0	0.0
Electric Utilities	1.5	1.5	0.8	1.1
Gas Utilities	0.2	0.4	0.6	0.0
Communication & Other	1.4	0.5	2.1	0.3
Trade & Services	0.5	1.3	0.4	1.6
ALL NONMANUFACTURING	1.3	1.2	0.8	1.5
ALL BUSINESS	1.7	1.5	1.6	1.7